



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 27, 2003

H.R. 3146

An act to extend the Temporary Assistance for Needy Families block grant program, and certain tax and trade programs, and for other purposes

As cleared by the Congress on September 30, 2003, and signed by the President on October 1, 2003

SUMMARY

H.R. 3146, enacted as Public Law 108-89, extends several provisions of law through March 31, 2004, including:

- The Temporary Assistance for Needy Families (TANF), child care entitlement, and abstinence education programs,
- Eligibility for transitional medical assistance (TMA) under Medicaid,
- Customs user fees,
- A program that pays Medicare Part B premiums for certain low-income Medicare beneficiaries, and
- Inpatient hospital standardization payment amount (SPA) equalization.

In addition, it extends an IRS fee program through December 31, 2004.

Funding for the TANF and child care entitlement programs for the 6-month period will total nearly \$12 billion. However, CBO already assumes that level of funding in its baseline for those programs as specified in section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (Deficit Control Act.) Therefore, the extension of those programs—with the exception of TANF supplemental grants and increased transfer authority—has no cost relative to the baseline.

CBO estimates that Public Law 108-89 will reduce direct spending, relative to the budget resolution baseline, by \$36 million in 2004, and increase it by nearly \$100 million over the 2004-2008 and 2004-2013 periods. In addition, the extension of IRS fees will increase revenues by \$33 million in 2004 and by \$41 million over the five-year and 10-year periods.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of Public Law 108-89, relative to the budget resolution baseline, is shown in the following table. The changes in direct spending, which total an estimated \$99 million over the 2004-2008 period and \$95 million over the 2004-2013 period, fall within budget functions 550 (health), 570 (Medicare), 600 (income security), and 750 (administration of justice).

	By Fiscal Year, in Millions of Dollars											2004-	2004-
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2008	2013	
CHANGES IN DIRECT SPENDING													
Title I: Family Assistance Provisions													
TANF Supplemental Grant													
Estimated Budget Authority	191	0	0	0	0	0	0	0	0	0	191	191	
Estimated Outlays	96	38	19	19	19	0	0	0	0	0	191	191	
Increased Transfer Authority to SSBG													
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0	
Estimated Outlays	77	-14	-28	-15	-15	-5	0	0	0	0	5	0	
TANF Research													
Estimated Budget Authority	8	0	0	0	0	0	0	0	0	0	8	8	
Estimated Outlays	1	3	4	0	0	0	0	0	0	0	8	8	
Child Welfare Research													
Estimated Budget Authority	3	0	0	0	0	0	0	0	0	0	3	3	
Estimated Outlays	*	1	2	0	0	0	0	0	0	0	3	3	
Abstinence Education													
Estimated Budget Authority	25	0	0	0	0	0	0	0	0	0	25	25	
Estimated Outlays	7	9	3	2	1	0	0	0	0	0	22	22	
Transitional Medical Assistance													
Medicaid													
Estimated Budget Authority	152	72	14	1	*	-1	*	*	*	-1	240	238	
Estimated Outlays	152	72	14	1	*	-1	*	*	*	-1	240	238	
SCHIP													
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0	
Estimated Outlays	-5	-3	1	2	*	1	*	1	*	1	-6	-3	
Total Changes in Title I													
Estimated Budget Authority	379	72	14	1	*	-1	*	*	*	-1	467	465	
Estimated Outlays	328	106	15	9	5	-5	*	1	*	*	463	459	
Continued													

Continued

TABLE Continued.

	By Fiscal Year, in Millions of Dollars										2004-	2004-
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2008	2013
Title III: Trade Provisions												
Customs User Fees												
Estimated Budget Authority	-698	0	0	0	0	0	0	0	0	0	-698	-698
Estimated Outlays	-698	0	0	0	0	0	0	0	0	0	-698	-698
Title IV: Medicare Provisions												
Payment of Part B Premiums												
Estimated Budget Authority	42	0	0	0	0	0	0	0	0	0	42	42
Estimated Outlays	42	0	0	0	0	0	0	0	0	0	42	42
Inpatient Hospital SPA Equalization												
Estimated Budget Authority	292	0	0	0	0	0	0	0	0	0	292	292
Estimated Outlays	292	0	0	0	0	0	0	0	0	0	292	292
Total Changes in Title IV												
Estimated Budget Authority	334	0	0	0	0	0	0	0	0	0	334	334
Estimated Outlays	334	0	0	0	0	0	0	0	0	0	334	334
Total Changes in Direct Spending												
Estimated Budget Authority	15	72	14	1	*	-1	*	*	*	-1	103	101
Estimated Outlays	-36	106	15	9	5	-5	*	1	*	*	99	95
CHANGES IN REVENUES												
Title II: Tax Provisions												
Estimated Revenues	33	8	0	0	0	0	0	0	0	0	41	41
NET CHANGES IN DIRECT SPENDING AND REVENUES (EFFECT ON DEFICITS)												
Total Increase or Decrease (-) in the Deficit	-69	98	15	9	5	-5	*	1	*	*	58	54

Notes: Components may not sum to totals because of rounding.

TANF = Temporary Assistance for Needy Families, SSBG = Social Services Block Grant, SPA = Standardized Payment Amount, and SCHIP = State Children's Health Insurance Program.

* = between -\$500,000 and \$500,000.

BASIS OF ESTIMATE

Title I: Family Assistance Provisions

Title I extends the TANF, child care entitlement, and abstinence education programs through March 31, 2004. It also extends the requirement that state Medicaid programs provide TMA through the same date. In total, title I increases direct spending by \$328 million in 2004, \$463 million over the 2004-2008 period, and \$459 million over the 2004-2013 period, CBO estimates.

TANF and Child Care Programs. Section 101 extends the TANF and child care entitlement programs through March 31, 2004. Those programs were scheduled to expire on September 30, 2003. The extension provides funding at the 2003 level—totaling \$10 billion for TANF and \$1.9 billion for child care under the procedures the Office of Management and Budget uses for allocating funds for these programs. In general, the extension has no cost relative to the budget resolution baseline because that baseline already assumes annual funding for those programs at the 2003 levels in accordance with the rules set forth in the Deficit Control Act.

Section 101 also funds TANF supplemental grants at their 2003 level for the first half of 2004. The additional funding will total \$191 million. Seventeen states that had lower-than-average TANF grants per poor person or had rapidly increasing populations are eligible for the supplemental grants. Previous law specified that supplemental grants should not be assumed to continue in baseline projections after September 30, 2003, overriding the continuation rules in the Deficit Control Act. Because many states have unspent balances from prior-year TANF grants, many states will not spend the new funds quickly. CBO estimates that states will spend \$96 million in 2004 and \$191 million over the 2004-2008 period.

Section 101 also will allow states to continue to transfer up to 10 percent of TANF funds to the Social Services Block Grant (SSBG) during for the first half of 2004. That percentage was scheduled to fall to 4.25 percent for 2004 and subsequent years. In recent years, states have transferred about \$1 billion annually to SSBG.

Maintaining the transfer authority at the higher level makes it easier for states to spend their TANF grants and will accelerate spending relative to current law. Based on recent state transfers, CBO expects that states will transfer an additional \$270 million in the first half of 2004 under the provision; because some of this money would have been spent within the TANF program anyway, CBO estimates that only \$77 million of additional spending will

occur in 2004. This increased spending will be entirely offset by lower spending in later years. Overall, we expect that the transfer authority will increase TANF spending by \$77 million in 2004 and by \$5 million over the 2004-2008 period.

In addition, section 101 extends funding for two research grants totaling \$11 million for the first half of 2004. CBO estimates the extension will increase spending by \$1 million in 2004 and \$11 million over the 2004-2006 period.

Abstinence Education. Public Law 108-89 appropriates \$25 million for the abstinence education program in 2004. Based on the program's past spending patterns, CBO estimates that the law will increase outlays by \$7 million in 2004 and by \$22 million over the 2004-2008 period.

Transitional Medical Assistance. Section 101 of the law extends through March 31, 2004, the requirement that state Medicaid programs provide transitional medical assistance to certain beneficiaries—usually former TANF recipients—who would otherwise lose eligibility because of increased earnings. This requirement had been set to expire on September 30, 2003.

CBO estimates that the extension of TMA will increase Medicaid spending by \$152 million in 2004, \$240 million over the 2004-2008 period, and \$238 million over the 2004-2013 period. The budgetary effects will continue beyond March 31, 2004, because families who qualify for TMA will be entitled to up to 12 months of additional eligibility, even if their eligibility runs beyond that date. Some states provide more than 12 months of TMA through Medicaid waivers; families living in those states could remain eligible into 2007.

The extension also will decrease spending in the State Children's Health Insurance Program (SCHIP) by \$3 million over the 2004-2013 period. Without TMA, CBO anticipates that some families leaving welfare between September 30, 2003, and March 31, 2004, would have had incomes high enough to make their children ineligible for Medicaid, and that some of the children in those families would have enrolled in SCHIP instead. The extension of TMA will make those children eligible for Medicaid and (because children who are eligible for Medicaid cannot enroll in SCHIP) lead to savings in SCHIP. Since states generally have three years to spend their SCHIP allotments, those savings will free up funds that could be spent on benefits in later years.

Title II: Tax Provisions

Title II extends the period during which the Internal Revenue Service (IRS) may charge fees to businesses for providing ruling, opinion, and determination letters. Such fees were scheduled to expire on September 30, 2003; the act extends the fees through December 31, 2004. Based on the amount of fees collected in recent years and on information from IRS, CBO estimates that extending the fees will increase governmental receipts by \$33 million in 2004 and by \$8 million in 2005.

Title III: Trade Provisions

Under previous law, the authority to collect customs user fees would have expired after September 30, 2003. Title III extends the authority to collect these fees through March 31, 2004. CBO estimates that this provision increases offsetting receipts (a credit against direct spending) by \$698 million in 2004.

Title IV: Medicare Provisions

Title IV extends two provisions of Medicare through March 31, 2004. CBO estimates that the extensions will increase direct spending by a total of \$334 million in 2004.

Payment of Medicare Part B Premiums. Section 401 extends through March 31, 2004, a program that pays the Medicare Part B premium for Medicare beneficiaries with incomes between 120 percent and 135 percent of the federal poverty level. The program was set to expire on September 30, 2003. Medicaid will pay for the premiums (with the federal government paying the entire cost instead of the usual federal/state split) and then be reimbursed by Medicare. CBO estimates that the extension will increase Medicare spending, net of premiums, by \$42 million in 2004.

Inpatient Hospital SPA Equalization. Section 402 extends through March 31, 2004, a provision that allows hospitals in small urban and rural areas to receive higher payments for Medicare inpatient services. The provision had been set to expire on September 30, 2003. CBO estimates that this provision will increase Medicare outlays by \$292 million in 2004.

ESTIMATE PREPARED BY:

TANF—Sheila Dacey
Abstinence Education—Margaret Nowak
Medicaid—Eric Rollins and Jeanne De Sa
Tax Provisions—Annabelle Bartsch
Customs User Fees—Mark Grabowitz
Medicare—Shinobu Suzuki

ESTIMATE APPROVED BY:

Robert A. Sunshine
Assistant Director for Budget Analysis